

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 DOTE-00 COME-00 SSO-00 PA-01

PRS-01 USIA-06 TAR-01 L-03 STR-04 H-02 TRSE-00 OMB-01

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 8635

INFO AMCONSUL TORONTO

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E.O. 11652: N/A

TAGS: EIND, ETRD, CA, US

SUBJ: U.S.-CANADA AUTO AGREEMENT

1. OTTAWA, TORONTO AND MONTREAL NEWSPAPERS OF JANUARY 26 ALL PROMINENTLY REPORTED THAT UNPUBLISHED U.S. INTERNATIONAL TRADE COMMISSION (ITC) REPORT CONCLUDES THAT U.S.-CANADA AUTO AGREEMENT AS IMPLEMENTED BY CANADA HAS NEVER DEVELOPED INTO A FREE TRADE ARRANGEMENT AND THAT NEARLY ALL THE BENEFITS HAVE GONE TO THE CANADIAN ECONOMY. PRESS ALSO REPORTS THAT ITC STUDY CONTENDS CANADIAN POLICIES HAVE, IF ANYTHING, BECOME SLIGHTLY MORE RESTRICTIVE SINCE THE AGREEMENT WAS SIGNED IN 1965.

2. TORONTO STAR CARRIES FOLLOWING CLAIMED DIRECT QUOTE FROM THE ITC REPORT: BEGIN QUOTE. IT IS QUITE POSSIBLE THAT THE TERMINATION OF THE AGREEMENT AND THE RE-INTRODUCTION OF DUTIES IN THE UNITED STATES ON IMPORTS OF MOTOR VEHICLES AND ORIGINAL EQUIPMENT PARTS . . . FROM CANADA WOULD CAUSE THE GOVERNMENT OF CANADA TO SEEK FURTHER COMMITMENTS FROM CANADIAN MOTOR VEHICLE MANUFACTURERS TO INCREASE THEIR PRODUCTION IN CANADA.

SUCH ACTION, COUPLED WITH THE RE-IMPOSITION OF  
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DUTIES BY THE UNITED STATES WOULD MOST LIKELY HAVE A

SERIOUS DETRIMENTAL EFFECT ON THE (U.S. CONTROLLED) CANADIAN MOTOR VEHICLE INDUSTRY. END QUOTE. THE STAR ALSO CLAIMS THAT REPORT ATTRIBUTES PORTION OF U.S. AUTO INDUSTRY UNEMPLOYMENT TO THE OPERATION OF THE AGREEMENT.

3. PRESS REPORTING GAVE RISE TO FOLLOWING EXCHANGE DURING JANUARY 26 HOUSE OF COMMONS QUESTION PERIOD BETWEEN ACTING PRIME MINISTER SHARP AND OPPOSITION (P.C.) MP KEMPLING:

KEMPLING: "MR. SPEAKER, I HAVE A QUESTION FOR THE ACTING PRIME MINISTER. SINCE ONE OF THE PURPOSES OF THE ANTI-INFLATION PROGRAM IS TO ENSURE OUR COMPETITIVE POSITION IN WORLD TRADE, WHEN WILL THE ACTING PRIME MINISTER BE MAKING A STATEMENT ON THE AUTO PACT IN VIEW OF THE STUDY RECENTLY COMPLETED BY THE UNITED STATES INTERNATIONAL TRADE COMMISSION ON THIS SUBJECT?"

SHARP: "MR. SPEAKER, LIKE THE HON. MEMBER, I HAVE SEEN THE PRESS REPORTS. THE STUDY ITSELF HAS NOT YET BEEN RELEASED. THEREFORE, WE ARE UNABLE TO COMMENT UPON ITS CONTENTS."

KEMPLING: "IN VIEW OF THE FACT THAT OUR TRADE DEFICIT IN AUTOMOTIVE TRADE UNDER THE AUTO PACT WILL BE IN EXCESS OF \$1 BILLION THIS FISCAL YEAR AND OUR AUTOMOTIVE PARTS TRADE DEFICIT WILL BE MORE THAN \$2 BILLION, WILL THE ACTING PRIME MINISTER ADVISE WHEN THE STUDY GROUP ON THE AUTO PACT WITHIN THE DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE WILL BE MEETING WITH THEIR COUNTERPARTS IN THE UNITED STATES?"

SHARP: "MR. SPEAKER, I DO NOT THINK THAT WOULD BE AN APPROPRIATE VEHICLE FOR SUCH DISCUSSIONS. I THINK THE DISCUSSION SHOULD TAKE PLACE BETWEEN THE TWO GOVERNMENTS AT THE MINISTERIAL OR SECRETARIAL LEVEL. MAY I POINT OUT TO THE HON. MEMBER THAT THE REPORT THAT APPEARED IN THE PAPER DOES CRITICIZE THE PACT AS BEING VERY ADVANTAGEIOUS TO CANADA."

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KEMPLING: "CAN THE ACTING PRIME MINISTER ADVISE WHETHER THE AMERICAN GOVERNMENT HAS REQUESTED A JOINT MEETING TO STUDY THE AUTO PACT? IF NOT, WILL THE CANADIAN GOVERNMENT INITIATE A MEETING ON THIS TRADE AGREEMENT, BEARING IN MIND THAT PRESIDENT FORD AGREED TO A JOINT TRADE STUDY ON DECEMBER 4?"

SHARP: "MR. SPEAKER, WE HAVE NOT HAD ANY REQUEST

RECENTLY FROM THE UNITED STATES GOVERNMENT FOR SUCH A MEETING. WE OURSELVES HAVE SUGGESTED THIS AND WOULD WELCOME ONE."

4. EMBASSY COMMENT: THE ABOVE COMMONS EXCHANGE APPEARS TO CONFUSE MEETINGS ON THE AUTO AGREEMENT AND MEETINGS IN CONNECTION WITH THE STUDY ON THE FUTURE OF THE NORTH AMERICAN INDUSTRY. ITC OFFICIALS WERE SOMEWHAT MYSTIFIED BY SHARP'S LAST RESPONSE AS IT HAD NOT REPEAT NOT BEEN INCLUDED IN HIS BRIEFING PAPER. DEPARTMENT PLEASE KEEP EMBASSY INFORMED OF DEVELOPMENTS. WOULD APPRECIATE RECEIVING COPY OF ITC STUDY AS SOON AS AVAILABLE.  
JOHNSON

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